

MACRO DAILY

06 September 2019

Macro developments

- In a bid to provide stimulus for road infrastructure, NHAI is expected to address concerns on multiple fronts. 1) Almost Rs 850bn will be raised through 'asset recycling/restructuring', in addition to funding raised via banks and markets. 2) To reprieve private investment, loopholes in BOT scheme will be addressed. 3) Projects will also be considered on corridor level (vs individual stretches) to make them more financially viable.
- In a relief to worries over slowdown in US economy, factory orders rose by 1.4% on a MoM basis in Jul'19 (0.5% in Jun'19) on the back of improvement in new orders from transportation (aircraft). Both durable and non-durable goods orders rose by 2% and 0.8% in Jul'19. US jobless claims increased marginally by 1,000 to 217,000 for the week ending 31 Aug 2019.
- On the back of intensifying trade tensions, Germany suffered a major blow with its factory orders plunging by (-) 2.7% in Jul'19 on a MoM basis. Both domestic and foreign orders decelerated to 0.5% and 4.2% in Jul'19. This adds on to the growing signs of weakness to Germany's export reliant economy, as its GDP has already contracted in Q2CY19 and is likely to contract again in Q3CY19.

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Markets

- Bonds:** Except China, global yields closed higher driven by better macro prints in the US, easing tensions in Hong Kong and optimism over US-China trade deal. US 10Y yield rose by 9bps (1.56%). Crude prices also edged up by 0.4% (US\$ 61/bbl). India's 10Y rose by 3bps (6.58%), following global cues. It is trading at 6.6% today.
- Currency:** Global currencies closed mixed. While safe-haven JPY (-0.5%), other currencies gained as US-China agreed to resume trade talks. DXY, CNY and EUR closed flat. INR appreciated by 0.4%. It opened further higher today while other Asian currencies are trading mixed.
- Equity:** Barring FTSE and Sensex, other global indices closed higher. This was led by robust US macro data and easing trade tensions between US and China. Nikkei (2.1%) and Dow (1.4%) rose the most. Sensex ended marginally lower (-0.2%) dragged by losses in IT and banking segment. It is trading higher today in line with other Asian stocks.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	1.56	9	6	(15)	(56)	(131)
UK	0.60	11	16	9	(23)	(82)
Japan	(0.26)	2	3	(7)	(14)	(37)
Germany	(0.59)	8	10	(8)	(36)	(95)
India	6.58	3	3	19	(36)	(148)
China	3.02	(3)	(2)	(5)	(24)	(62)
2Y yields (Δ bps)						
US	1.53	9	1	(32)	(35)	(111)
UK	0.44	8	8	(14)	(10)	(29)
Japan	(0.29)	1	2	(10)	(8)	(17)
Germany	(0.87)	2	4	(13)	(21)	(30)
India	5.71	3	(6)	(41)	(57)	(216)
China#	2.58	0	(1)	0	6	(26)
Currencies (Δ %)						
EUR	1.1035	0	(0.2)	(1.5)	(2.1)	(5.1)
GBP	1.2334	0.7	1.3	1.6	(2.8)	(4.6)
JPY	106.94	(0.5)	(0.4)	(0.9)	1.3	3.4
AUD	0.6815	0.3	1.3	0.9	(2.3)	(5.3)
INR	71.84	0.4	(0.1)	(1.6)	(3.7)	0.2
CNY	7.1492	0	(0.1)	(1.4)	(3.5)	(4.6)
Equity & Other indices (Δ %)						
Dow	26,728	1.4	1.4	3.9	3.9	2.8
FTSE	7,271	(0.5)	1.2	0.7	0.2	(0.7)
DAX	12,127	0.8	2.4	4.0	1.5	1.4
NIKKEI	21,086	2.1	3.1	1.8	1.5	(6.2)
Shanghai Comp	2,986	1.0	3.3	5.8	5.6	10.9
SENSEX	36,644	(0.2)	(1.1)	(0.2)	(7.3)	(4.2)
Brent (US\$/bbl)	60.95	0.4	(0.2)	1.9	(1.2)	(20.3)
Gold (US\$/oz)	1,519	(2.2)	(0.6)	3.8	13.8	26.6
CRB Index	388.0	0.1	(0.1)	(2.9)	(6.7)	(5.5)
Rogers Agri Index	678.6	(0.1)	(1.0)	(4.2)	(9.6)	(12.5)
LIBOR (3M)*	2.11	(1)	(1)	(10)	(34)	(21)
INR 5Y Swap*	6.11	6	(11)	(44)	(46)	(147)
India FII data (US\$ mn)						
	4 Sep	3 Sep	WTD	MTD	CYTD	FYTD
FII-Debt	(24.7)	254.9	230.2	230.2	4,477.4	3,932.7
FII-Equity	(174.8)	(438.1)	(613.0)	(613.0)	6,593.1	(252.1)

Source: Bloomberg, Bank of Baroda | *Indicates change in bps | #1Y yield

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